7

CITY COUNCIL MEETING - March 31, 1993

Special Town

BUDGET PRESENTATION FOR ELECTRIC UTILITY DEPARTMENT

CC-21(b)

Mayor Pennino opened the meeting and reminded the public of the "Town Hall" Hotline phone number, 333-6896 and of the new start time of 7:00 p.m. for the City Council meetings beginning April 7, 1993.

Electric Utility Director Rice presented an extensive report regarding the Electric Utility Department including the history, definition, staffing, revenue, rates, etc. Assistant Electric Utility Director Hansen answered several questions posed by the City Council.

The following person spoke regarding the matter:

a) Dennis Purvis, 121 East Lockeford Street, Lodi.

The Lodi City Council "Townhall Meeting" ELECTRIC UTILITY March 31, 1993

A CENTURY OF POWER AND PROGRESS

The City of Lodi has been enjoying the comfort and convenience of electric service since the turn of the century. The Cary brothers provided limited electric service to the community beginning in 1894, and in 1910 the City of Lodi acquired the system and has continuously operated and developed the system in line with the community's growing requirements.

The Lodi Electric Utility has designed, constructed, operated and maintained the entire electric distribution system that exists today. That system has undergone several upgrades over the years, the most significant being the recent construction of the Industrial Substation located at Cluff Avenue and Lodi Avenue. That major substation receives bulk power that is then transmitted to each of three satellite substations strategically located to distribute the power to industries, businesses, and residences (Exhibit 1). Each of the three satellite substations is linked to the major Industrial Substation by two independent paths for reliability; therefore, a redundant path is available to feed each substation in case of outage of the other path. The electric facilities have been expanded to keep pace with population growth without incurring any indebtedness. There is no outstanding debt on any of the Lodi electric distribution or substation system.

When the City acquired the electric property, it entered into a contract to buy all of its bulk power supply from the American River Electric Company. Subsequently, the American River Electric Company was purchased by PG&E. The City obtained a continuation of its wholesale electric power supply from PG&E.

A DECADE OF DETERMINATION

The Lodi Electric Utility purchased all of its power requirements from PG&E and the City electric rates were slightly below PG&E retail rates charged in Stockton. The slightly lower rates were due to fact that the City had its own distribution system and engineering-maintenance personnel. Then, in 1982, the Lodi electric operation was successful in obtaining an allocation of Federal Power from Western Area Power Administration (WAPA) that resulted in reducing the overall cost of its wholesale power. Successful completion of a powerplant construction and financing in 1986 marked the fruition of a cooperative effort by Lodi and eleven other cities. These cities joined together in 1968 to form the Northern California Power Agency (NCPA), a joint action agency, which was born of the desire to investigate methods of controlling the cost of wholesale power. The City presently obtains all of its power needs from WAPA and a combination of power projects and third-party purchase transactions administered by NCPA.

Such cost savings as accrue from NCPA or the Federal Power purchase were passed on to the consumers in Lodi, resulting in lower electric rates and other significant benefits to the citizens of Lodi.

Therefore, in only one decade, the City has faced the competitive force of PG&E, been party to numerous lawsuits, but has successfully prevailed in providing for all of its power production needs. The only service which is required but not provided by NCPA is transmission service in Northern California. The city still relies on PG&E to provide that transmission service in Northern California so that Lodi can move its bulk power from owned power plants or power providers to the Lodi city gate. A contract (the Interconnection Agreement) with PG&E provides for our use of the PG&E transmission system for a specified fee.

MAJOR FUNCTIONAL COMPONENTS OF THE ELECTRIC UTILITY BUSINESS

The major functional components of an electric utility system are shown below:

MAJOR SYSTEM COMPONENTS

Component

G ENERATION

RANSMISSION

DISTRIBUTION

PEOPLE

ENERATION is that system component in which other forms of energy (hydraulic, natural gas fuel, and geothermal) are converted to electrical energy. The generation plants may be isolated and separated by many miles from the load center or they may be centrally located units directly integrated with the distribution system.

The City looks to NCPA, a membership agency, to secure its power resource needs involving the following power sources:

ELECTRIC GENERATION PLANTS

COMBUSTION TURBINE PROJECT - 125 MW

NCPA's five combustion turbine units (each 25 MW) provide reserve and peaking power. Two of the units are located in Alameda, two in Roseville, and one in Lodi. These five units provide an important source of power for NCPA members during peak electrical demand periods in the hot summer. The units also provide backup electrical power when other NCPA generation resources are unavailable. These units save members approximately \$6 million annually.

GEOTHERMAL POWER PLANTS -232 MW

NCPA's Geothermal Power Plants Nos. 1 and 2, located in the Geysers Geothermal Resource Area 70 miles north of Alameda, provide the member utilities with 232,000 kilowatts of dependable, electrical capacity. The two plants are powered by geothermal steam produced from adjoining wells and delivered via a computerized, integrated steam field collection and management system.

GEOTHERMAL STEAM FIELD

The total developed area of the NCPA Geysers leasehold now stands at approximately 1,100 acres. NCPA owns the drill rig and has 67 producing wells capable of supplying sufficient steam for the generation of 232 NW of electricity. Drilling results were enhanced by improvements in drilling techniques by the drilling staff including the new technique of drilling "forked" wells (one surface well with two underground legs). A combined endeavor by the major steam suppliers and power generators in the area is underway to optimize usefulness of the entire reservoir. Because of NCPA's continuing efforts in condensate injection projects and load-following operations, the overall efficiency of Geothermal Plants Nos. 1 and 2, and the planned conversion to low-pressure operations, the Agency is considered a leader in these efforts.

HYDROELECTRIC PROJECT - 239 MW

The hydroelectric project is constructed along the North Fork of the Stanislaus River in the "Mother Lode" country of Alpine, Calaveras, and Tuolumne Counties and spans over 40 miles. Major components include four dams and three tunnels and several public recreational facilities. This is NCPA's largest, most complex project to date, and was constructed under budget and within the specified completion period.

Water is released from the New Spicer Meadow Reservoir to satisfy recreational, fish flow, domestic and irrigation usage, and to meet NCPA's energy demand for power generation at the Collierville Powerhouse. This water flows into Highland Creek that meets the North Fork Stanislaus River. Water is finally impounded in the McKays Point Reservoir. A small diversion dam was constructed on Beaver Creek, a tributary of the North Fork Stanislaus River, to divert additional water from Beaver Creek into the McKays Point Reservoir.

From McKays Point, the water enters an 18-foot diameter, 8.5 mile tunnel. The water picks up the gravitational energy as it falls the distance of 2270 feet from McKays Point to the Collierville Powerhouse. The energy is sufficient to rotate two large turbines and generators weighing a total of 422 tons at a speed of 405 revolutions per minute. The electric power created by the generators is dispatched to NCPA members to satisfy in part their electric energy requirements. This plant's capacity is more

than twice the capacity requirement of the Lodi Electric System.

The hydroelectric powerplant was placed into commercial operation on February 1, 1990.

FUTURE -- STIG GAS TURBINE PROJECT - 50 MW

This Steam Injected Gas Turbine (STIG) Project will be located near the Lodi the White Slough Water Pollution Control Facility. It will be a high efficiency combustion turbine power plant to be fueled by natural gas. Heat of the combustion turbine unit exhaust is used to generate steam that is then injected back into the combustion turbine unit - increasing power output and fuel efficiency.

The environmental impact report was prepared by NCPA describing the need for the Project, alternatives to the Project, including conservation, and mitigation measures to minimize environmental impacts. The Project uses recycled wastewater with disposal in a deep injection well. Two public hearings were held in the Lodi area where comments were received from the public. Project features, such as the transmission line route, were modified in response to public comments.

The EIR was approved June 1991 and the authority to construct permit from the local air pollution control district was received September 1991. The project will utilize a General Electric LM-5000 gas turbine (essentially an aircraft jet engine that powers the Boeing 747). There are a number of nearly identical projects in operation in California with more being constructed.

The unit will normally run on natural gas; however two days' supply of propane will be stored on-site as a secondary fuel in the event of a gas curtailment. The unit will operate as a "swing" resource depending on the availability of hydroelectric power and other inexpensive energy sources.

When completed and operating, the Project will have a full time staff of approximately eight. On-site construction will start in the later half of 1993 with completion scheduled for January 1, 1995.

PURCHASED POWER CONTRACTS

WESTERN AREA POWER ADMINISTRATION ----

Western Area Power Administration (WAPA) is a power marketing agency within the U.S. Department of Energy which controls and administers all federal power transactions into and out of Northern California. WAPA markets power from the Central Valley Project, a federal multi-use hydroelectric development in northern California operated by the U.S. Bureau of Reclamation and includes Keswick Dam and Shasta Dam. Lodi has entered into an agreement with WAPA to

provide electric power to Lodi until December 31, 2004.

This agreement with WAPA provides approximately thirteen percent (13%) of the entire Lodi electric load. The remaining power requirements are obtained through NCPA, either by owned plant production or power purchase transactions brokered by NCPA.

MIDWAY-SUNSET ----

Midway-Sunset (MS) is a cogenerator operating a plant near Bakersfield, CA. The plant consists of three GE Combustion Turbines (total capacity of 230MW) as part of a steam production cycle to enhance oil production. All plant process water needed is recovered from the oil produced in the oil fields and separated via an oil/water separator that utilizes heat in the separation process.

The plant production is sold off as follows:

- a) 200MW all hours sold to Southern Cal. Edison
- b) 30MW Peak and partial peak hours sold to PG&E
- The remaining 30MW production off-peak hours is sold to NCPA at a monthly contract index end user gas price.

The contract is shaped to provide the energy through 1995 and will become evergreen, with notice, thereafter.

SEASONAL CAPACITY AND ENERGY EXCHANGE ----

The City of Seattle, Washington operates a winter peaking municipal electric system and Seattle has surplus capacity that can generate energy during the summer. Lodi is the reverse - a summer peaking system with surplus capacity that can generate energy during the winter, once the STIG Project is constructed.

Under this Agreement, the surplus capacity would be swapped between the parties as follows:

- * Lodi would use Seattle's surplus capacity in the summer
- * Seattle would use Lodi's surplus capacity in winter

No cost to either city is involved since the capacity exchanged is surplus to each system and not otherwise needed.

The Agreement requires that energy must also be exchanged seasonally. An amount of energy will be supplied by Seattle in the summer, and an equal amount of energy will be supplied by Lodi in the winter, plus 20%. The 120% winter return energy can be provided by Lodi with our share of the STIG project. Additionally, winter is the most efficient period to operate the STIG.

THUS, WE HAVE OUP CAPACITY NEEDS MET THROUGH 2004 - NO NEW CAPACITY ADDITIONS HELPS STABILIZE RATES OVER THAT PERIOD.

RANSMISSION is that system component involved with conveying large blocks of electrical energy from the sources of generation to bulk power substations for ultimate distribution to the customer. The Interconnection Agreement (IA) with PG&E provides for transmission use only within the Northern California service area of PG&E. Hydroelectric and coal-based generation in the Pacific Northwest presents an economic market from which to obtain seasonal power to supplement native generation in California. Previously existing transmission paths to the Pacific Northwest were fully subscribed; therefore, new construction was necessary.

The Transmission Agency of Northern California (TANC), a joint powers agency, was created by fifteen public entities including Lodi, to evaluate and construct transmission projects. After more than three years of study and public review, Western Area Power Administration (WAPA) decided to participate in the construction, operation and maintenance of a TANC proposed interstate transmission project utilizing WAPA's existing system.

The project consists of:

A 500-kilovolt transmission line between the Malin, Olegon area (near the California-Oregon border) and the Tesla Substation near Tracy, California. A significant portion of the new 500-kilovolt transmission project is an upgrade of a preexisting WAPA 230-kilovolt transmission line. The transmission path is 340 miles long. This project provides an important link between the Pacific Northwest and California, providing for the transfer of about 1600MW of additional power. WAPA and TANC were lead agencies for environmental review of the project under federal and state environmental laws. The ability to share power with utilities in the Northwest will provide access to more diverse and economic power resources, reducing dependence on oil and gas-fired generation and deferring construction of new power plants to meet peak loads.

The seasonal capacity and energy exchange with Seattle, Washington is a direct result of the TANC activity that created this new transmission path to the Pacific Corthwest. The Lodi electric system will be able to prolong the need to construct new generation facilities until after 2004. That delay in imposing new costs of plant construction will have a stabilizing influence on local rate levels. Additional cost savings accrue from both the economical exchange between the utilities as well as the full utilization of the respective electric system capacity throughout the year.

ISTRIBUTION is that system component that delivers energy from generation plants or a transmission system to the customers. It includes the substations that reduce the high voltage of the transmission system to a level suitable for distribution, and the circuits that radiate from the substation to the customers.

There are approximately six thousand wood poles throughout Lod. Pole life is generally fifteen to twenty-five years. Our system is aging, so we must test for decay and do appropriate maintenance. A contract with a private firm provides an on-going program of pole testing for deterioration. Results from the test procedure determine which poles have to be changed out or chemically treated to prolong life. This maintenance program prevents accidents, improves reliability and prolongs useful life of our wood poles.

DISTRIBUTION RELIABILITY OF SERVICE - Consumers are dependent upon a power supply that is always available when called upon. Our aggressive tree trumming program helps avoid most local outages. Trees grow very well in Lodi, but that growth can be a problem in wind and rain storms. We contract with a private firm to provide a three-year cycle of trimming to keep the lines clear - that is, it will take three years to cover the entire city before the cycle is repeated.

Annual aerial surveillance of poles and structures is performed using an infra-red scanner that senses heat given off at faulty connections or damaged areas. Prompt repair of such problems cuts down on the power losses in our system. Reduction of power losses in the system represents a significant cost savings, hundreds of thousands of dollars can be lost in inefficient system operation.

The underground system consists of 110 miles of buried circuits. This compares to about 120 miles of overhead circuits. We do experience corrosion and have to replace buried conductor periodically.

Additional to our inspections of the distribution system, the staff of the California Public Utility Commission (CPUC) performs an annual inspection of the Lodi electric system. A copy of the CPUC inspection report is given to us with a listing of necessary changes or appropriate repairs. Therefore, the local electric system is submitted to many inspections which are intended to insure that the system is safe both for the public and for our crews.

EOPLE are required to coordinate, design, construct, operate and maintain this complex system. The Electric Utility has been organized into four divisions: Engineering, Rates & Resources, Ithstruction & Maintenance, and Operations.

A brief description of some of the staff functions includes:

Engineering - develop and maintain construction standards and specifications. Plan, design and administer construction of system additions, reconstruction, subdivision work, substations, and maintenance work. Consult with architects, planning engineers, developers, other utilities and departments regarding design, easements, and rights-of-way. Provide technical assistance to customers regarding power quality, energy audits and efficient utilization. This section also controls environmental compliance and disposal for Electric Utility Hazardous Waste Materials.

Rates and Resources - analyzes and prepares background data supporting rate design, power supply activity, customer billing and assistance for large customers.

Construction & Maintenance

Metering Department - install, maintain and repair metering equipment from the basic residential type to the sophisticated computer controlled time-of-use meters (23,000 meters). Conduct scheduled periodic meter test program for all customer classes. Perform monthly meter readings on large industrial accounts. Investigate power diversion (theft), meter vandalism problems and high-low bill complaints.

Field Crews/Trouble shooting - mobile, well trained experts who perform construction and maintenance of the entire distribution system from transmission lines/substations to the customer service on both overhead and underground circuits.

Transformer Repair section - is a potential moneymaker that has not been sufficiently implemented. We need a proper "service area" with repair bonch and overhead pulley system.

Technician/Electrician Section - highly specialized & trained group capable of working on a variety of complex and sophisticated systems of the Electric Utility and the Public Works Department. The group has responsibility for installation, maintenance, and repair of various electric apparatus ranging from substations to computer based protective equipment of the entire electric system. The Electrician's responsibility includes all Public Works Department facilities; the complex control systems at White Slough; traffic signal systems; water & sewer facilities.

Operations Dispatch Center - our dispatchers respond to calls 24 hours per day. Receive calls relating to Electric, Water and Sewer problems and dispatch appropriate personnel. They monitor and control the electric distribution system and the water and sewage lift station systems. Prepare electric system switching orders for clearance, load transformers and emergency switching - as well as directing field personnel during emergencies to restore service.

THE ELECTRIC UTILITY MISSION

An on-going dedication of the Electric Utility staff is:

- 1. To obtain adequate, reliable, competitively priced power supplies and transmission service to meet the needs of Lodi customers so that the City will be energy self-sufficient and can continue to be operated as an independent and interconnected utility;
- 2. To develop and manage these energy resources in a manner that will minimize power cost and will result in greatest benefits to the people of Lodi;
- 3. To minimize any environmental impact which its required transmission, production or distribution projects may have.

THE LATEST BUDGET SUMMARY

1993-1994 LODI ELECTRIC SYSTEM BUDGET EALANCE SHEET

OPERATING REVENUES -

Electric power sales are estimated for the future fiscal year using a computer model of each customer group and combined into a system energy usage profile. That estimated sales profile is priced out by applying the existing tate structure. The resulting revenue production, supplemented with some other electric utility income, represents the total amount which is available to meet all electric utility operating costs.

REVENUE REQUIREMENTS -

The primary elements of the Electric Utility's revenue requirements include: Bulk Power cost provided by our power supplier NCPA; Operation and Maintenance expenses; funds for system renewals, replacements, and additions.

1. "BULK POWER" COMPONENT

The bulk power expense covers anticipated operation of the various power plants, including fuel cost, general and administrative costs, expected cost of purchased power and transmission participation. This amount is provided by NCPA following adoption at the Commission level. The adopted NCPA budget applies equally to all members; and is proportioned by the ownership percentage each member has in each project.

2. OPERATION & MAINTENANCE - LODI DOMESTIC DISTRIBUTION COST -

A minimum number of personnel are required for basic service repair, maintenance and construction to assure reliability. The level of staffing for these activities has been optimally set at a level that could reasonably restore service in times of emergency. We cannot maintain enough manpower to handle the worst situations but must seek a reasonable level compatible with normal system renewal.

Reducing the basic delivery service to our customers (Residential or Industrial - same difference because we cannot isolate one from the other on typical circuits) is not realistic for at least two reasons. First, ignoring needed repair for the short term only aggravates system losses and increases overall cost. Second, reduced reliability (increased outages driven by reduced maintenance) drives businessmen to make decisions to change power supplier or move operations, reducing utility revenue. Customers watch our bottom line in rates as well as the "reliability of service."

Nothing was included this year for continuing the effort to place more of our existing system underground. Non-essential activities were cut from the budget to hold rates steady. This activity was considered secondary to our main dedication of maintaining the system. There is no economic "Pay-off" in making the system more aesthetically pleasing.

While operational economics are not difficult to understand, the following illustration will help you see why it is prudent to maintain an efficient Supervision and Engineering group which directs field crews in repairs to the system:

IMPACT OF SYSTEM LOSSES ON ELECTRIC SYSTEM

	Percentages	
	Energy	Demand
60 kV Primary Lines	2.50	3.75
Primary-Sec. Transformation	1.20	1.90
Secondary Lines & Services	2.10	3.25

6% to 7% losses is equal to approx. \$2,300,000. Therefore, for every one percent in losses that can be obtained by careful attention to the condition of the system, almost \$350,000 can be saved annually.

Energy losses occur where there are corroded, loose or damaged parts of the electric system.

3. INTER-FUND TRANSFER, GENERAL FUND CHARGES

This payment of \$1,367,500 to the General Fund constitutes reimbursement of City Administration charges, certain meter reading, customer billing, warehouse operation, and other activities attributable to the Electric Utility operation.

- 4. FUNDING THE UTILITY OUTLAY RESERVE

 This funding is set aside to cover all anticipated sys em
 additions new construction, major transformer replacement,
 land or easement acquisition, extraordinary maintenance items.
- 5. SUMMARY OF ALL COSTS OF SERVICE NECESSARY TO PROVIDE ELECTRICITY TO LODI CONSUMERS FOR 1993-1994
- 6. PROFIT EXCESS OPERATING REVENUE (OPERATING REVENUE LESS REVENUE REQUIREMENTS)

WHAT IS THE "CONTRIBUTION TO THE GENERAL FUND"

This represents a transfer of profit (excess operating revenue) collected through electric rates. The transfer is made to the City General Fund in a form of in-lieu tax or return on investment. Over the past few years, a ceiling of eight percent (8%) of Gross Sales revenue was used as a guide to the reasonable amount to transfer. Applying a standard percentage and using a dependable (audited) gross revenue figure from the prior period appears to be a prudent and "reasonable" procedure. This procedure recognizes that the standard percentage should be applied to the most reliable indication of the performance of the utility in the most recent year.

Proposition 4 makes it possible for a dissatisfied ratepayer to challenge excessive fund balances, a transfer of utility revenues, and the rate that made the transfer possible, if the rate produced revenues that "exceed[ed] the costs reasonably borne...in providing the [utility] service." It would appear reasonable that a return on investment is one component of the costs reasonably borne in providing utility service. The basic traditional concepts of ratemaking appear to be incorporated into California municipal utility law by the California Supreme Court case, Hansen v. City of San Buenaventura (1986) 42Cal.3d 1172. A challenge by a nonresident customer to a rate differential gave rise to the City of San Buenaventura case which held that municipalities may incorporate a return on investment in rates charged customers.

ELECTRIC RATES AND COMPETITION

Applying the existing electric rates to the forecasted 1993-1994 annual load (by customer group) produced sufficient revenue to not only meet the Electric Utility's cost to provide electric service but also to provide revenues of eight percent of gross sales, which revenues can be transferred to the City General Fund to supplement tax and fee receipts. We are able to meet our revenue obligations, provide a "reasonable" return on investment, and still keep a "competitive adge" between our electric rates and the PGSE electric rates.

NCPA POWERPLANTS:

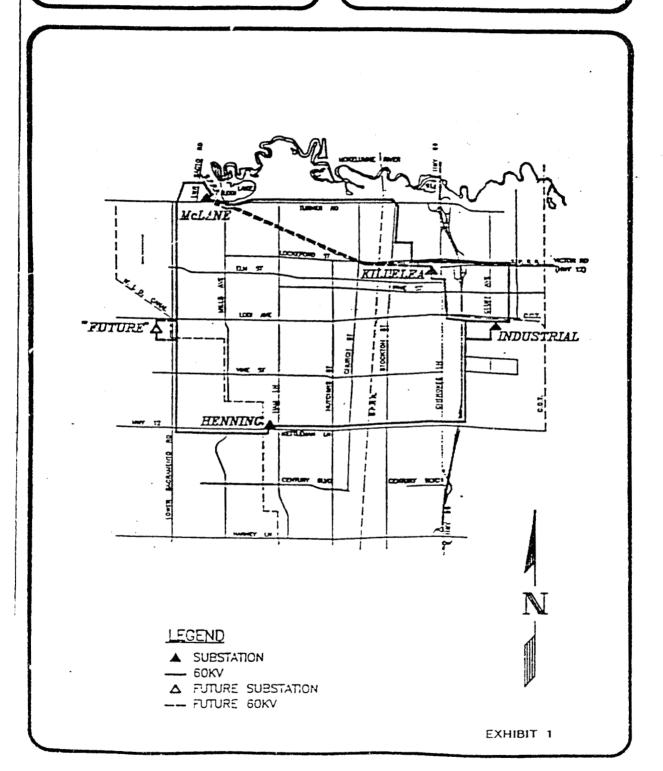
- COMBUSTION TURBINE PROJECT
- GEOTHERMAL POWERPLANT PROJECT
- HYDROELECTRIC PROJECT
- · FUTURE:
 - STEAM-INJECTED GAS TURBINE

SEASONAL CAPACITY EXCHANGE WITH SEATTLE

- SEATTLE WINTER PEAKING UTILITY (SURPLUS SUMMER CAPACITY)
- LODI SUMMER PEAKING UTILITY (SURPLUS WINTER CAPACITY)
- EXCHANGE OF SEASONAL CAPACITY BY UTILITIES:
 - **✓** NO SIGNIFICANT COST
 - ✓ MORE FULLY UTILIZES SYSTEMS
 - ▼ REPLACES NEED FOR CONSTRUCTION OF NEW
 POWERPLANT TO MEET FUTURE LOAD GROWTH



60KV SYSTEM



USE OF PRIVATE CONTRACTORS

- TRANSMISSION SERVICE
- TREE TRIMMING
- POLE TESTING AND TREATMENT
- INFRA-RED SYSTEM SURVEY
- HAZARDOUS MATERIAL DISPOSAL
- HEAVY EQUIPMENT MAINTENANCE
- POWER TRANSFORMER OIL TESTING
- SUBSTATION LANDSCAPE MAINTENANCE
- RADIO MAINTENANCE



ELECTRIC UTILITY DEPARTMENT

ORGANIZATIONAL CHART JANUARY 1993

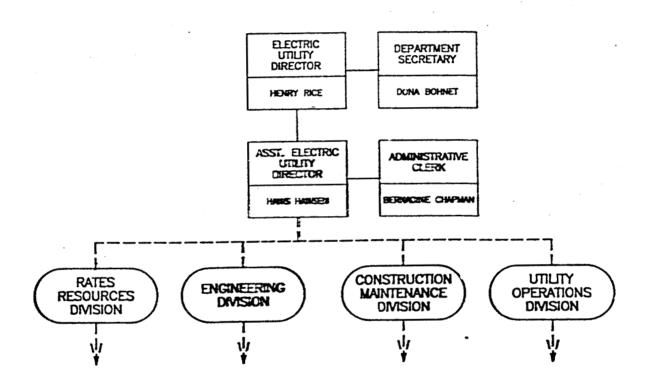


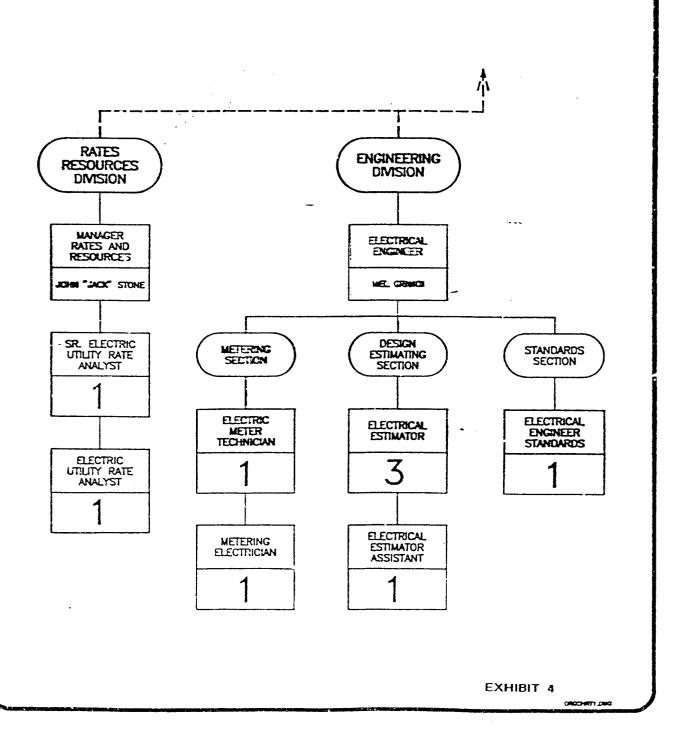
EXHIBIT 3

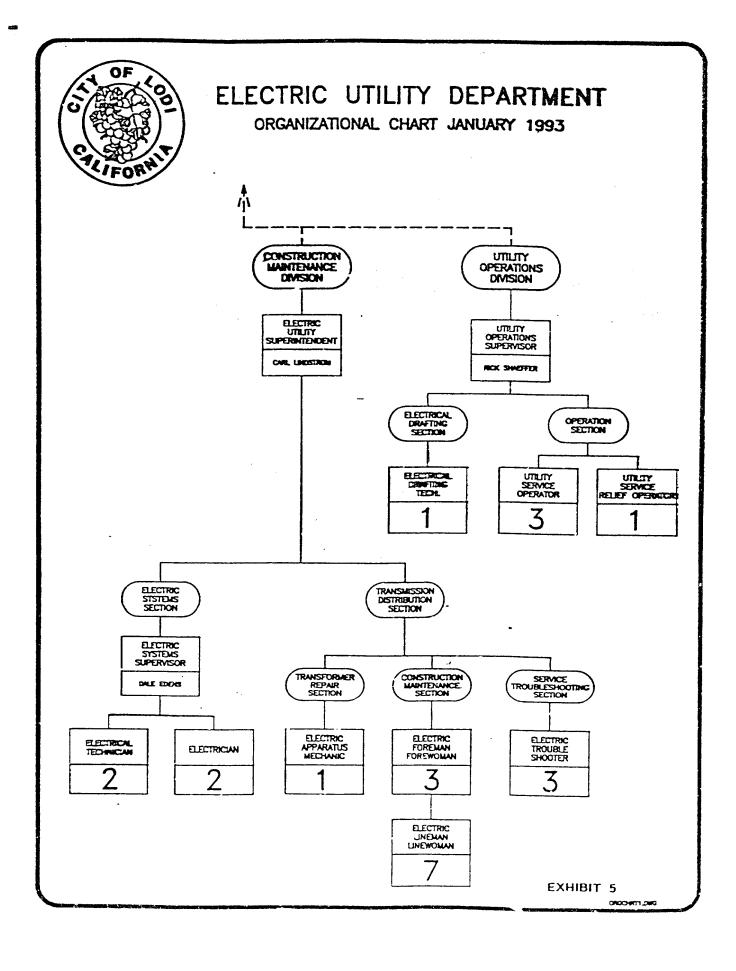
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ELECTRIC UTILITY DEPARTMENT

ORGANIZATIONAL CHART JANUARY 1993





ELECTRIC UTILITY DEPARTMENT STAFFING

LODI VS. OTHER "ELECTRIC" CITIES

		,		
	ALAMEDA	REDDING	ROSEVILLE	F001
Number of Employees (Electric Utility Function)	100	85	72*	37*
Number of Meters	31,000	32,000	25,000	22,000
Meter Reading, Billing, Collection	Yes	No	No	No
Warehousing	Yes	Yes**	No	No
Service Provided for Other Departments	No	Но	Yes (2 employees)	Yes (2.5 employees)
Dispatch Provided for Other Departments	No	Но	No	Yes (1.5 employees)
			·	
				•

[•] Does not include the employees providing service for other departments.

^{**} Electric only by 1 employee

ELECTRIC UTILITY DEPARTMENT 1993-94 BUDGET SUMMARY

OPERATING REVENUES

Sale of Electricity Other Income: (Joint Pole, Salvage, Interest Income & Misc.) TOTAL OPERATING REVENUE:		\$35,187,050 105,000 \$35,292,050
REVENUE REQUIREMENTS		400 J 202 J 000
Maintenance & Operation Utility Outlay: Capital Supplemental Items Other Supplemental Items Interfund Transfers PL & PD Insurance Bulk Power Purchases TOTAL REVENUE REQUIREMENTS:	\$ 3,243,425 739,380 24,900 222,400 1,367,500 39,000 26,565,400	\$32,202,005
Operating Revenue less Revenue Requirement	nts (PROFIT):	\$ 3,090,045
Total Revenue Requirements and Profit:		\$35,292,050
DISTRIBUTION OF PROFIT:		
In Lieu Franchise Tax (8% of prior years sales revenue*) Rate Stabilization (projected energy tax TOTAL:)	\$ 2,762,181 327,864 \$ 3,090,045

^{*} Source: 1992 Comprehensive Annual Financial Report, Excluding CEC Tax.

LODI ELECTRIC UTILITY REVENUE TRANSFLRS TO CITY GENERAL FUND

FY1988 - 1989 \$2,100,000

FY1989 - 1990 \$1,704,730

FY1990 - 1991 \$2,325,635

FY1991-1992 \$3,000,000

FY1992 - 1993 \$3,100,000

\$12,230,365

5 – YEAR INCREASE 48%

IN-LIEU-OF-TAX CONTRIBUTION TO GENERAL FUND

Survey of NCPA Members

,		
	BASED ON	BASED ON
	GROSS	PLANT
	REVENUES	IN SERVICE
ALAMEDA	X	
* BIGGS	NONE	NONE
• GRIDLEY	NONE	NONE
HEALDSBURG		X
LODI	X	
LOMPOC		X
PALO ALTO		X
PLUMAS-SIERR	A NONE	NONE
ROSEVILLE	X	
SANTA CLARA	X	
UKIAH	X	

^{*} Interpreted as "tax" and violation of Proposition 4

EXHIBIT 26

IN-LIEU-OF-TAX CONTRIBUTION TO GENERAL FUND

Survey of NCPA Members (Gross Revenue Base)

PERCENT OF		
GROSS REVENUES		
5-10% •		
8%		
401		
4%		
5%		
5 /6		
6%		

* Actual percentage determined by Electric Utility Board considering financial position of utility and competetiveness with PG&E.

ELECTRIC UTILITY DEPARTMENT

"LOCAL OPERATION"

BUDGET COMPARISON

	1992-93	1993-94	<u>Difference</u>	% Diff.
Maintenance & Operation \$	3,321,421	\$ 3,243,425	- \$ 77,996	- 2.35
Utility Outlay: Capital Supplemental Items Other Supplemental Items	1,271,805 84,000 265,000	739,380 24,900 222,400	- 532,425 - 59,100 - 42,600	- 41.86 - 70.36 - 16.08
Interfund Transfers	1,367,500	1,367,500	0	0
PL & PD Insurance	39,215	39,000	- 215	- 0.01
TOTAL (LOCAL): \$	6.348.941	\$ 5,636,605	- \$ 712,336	- 11.22

CUSTOMER CLASS	NUMBER OF CUSTOMERS	SAVINGS (COMPARISON TO PG&E)
RESIDENTIAL	18,900	19.72%
SMALL COMMERCIAL	2,550	17.18%
LARGE COMMERCIAL	300	15.12%
INDUSTRIAL	16	17.27%
TOTAL	21,766	17.71%

CUSTOMER CLASS	KWH CONSUMPTION (000)	NUMBER OF CUSTOMERS
RESIDENTIAL	124,689	18,900
SMALL COMMERCIAL	37,344	2,550
MEDIUM COMMERCIAL	83,689	300
LARGE COMMERCIAL (INDUSTRIAL)	99,262	16
TOTAL	344,984	21,766

RESIDENTIAL BILL COMPARISON

CITY OF LODI

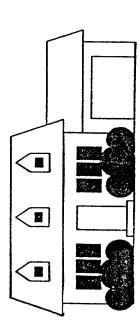
11/1/91

\$55.77

PG&E

1/1/93

\$68.98



LODI UTILITY "IN-LIEU"/FRANCHISE PAYMENTS

FY 1988 - 1992

FISCALYEAR	PG&E <u>GAS</u>	TELEPHONE COMPANY	CABLE TV	LODI ELECTRIC SYSTEM
1988 – 1989	\$98,733	-0-	\$88,830	\$2,100,000
1989 – 199 0	111,768	-0-	92,065	1,704,730
1990 – 1991	129,672	-0-	101,317	2,325,635
1991 1992	142,650	-0-	107,870	3,000,000
1992 – 1993	160,000	<u>-0-</u>	110,000	3,100,000
FIVE-YEAR TOTAL	\$642,823	-0-	\$500,082	\$12,230,365

LODI ELECTRIC "COMPETITIVENESS"

- REPLACED PG&E AS ENERGY SUPPLIER IN 8 YEARS
- ELECTRIC RATES ABOUT 18% BELOW PG&E STOCKTON
- CONTRIBUTES ABOUT 20 TIMES AS MUCH AS PG&E TO THE CITY GENERAL FUND - SUPPLEMENTING CONVENTIONAL TAX RECEIPTS
- TRIMMED DOMESTIC BUDGET 11.22% (\$712,336) IN ORDER TO AVOID AN INCREASE IN ELECTRIC RATES
- MAINTAINS EXCELLENT RELIABILITY AND SERVICE RESPONSE WITH FEWER EMPLOYEES

OUR COMPETITIVENESS AS A UTILITY
HAS TO BE MEASURED BY HOW WELL
WE HELP TO KEEP OUR CUSTOMERS
COMPETITIVE

"In 1968 Lodi became the only San Joaquin County municipality to provide its entire community with electric savings by joining the Northern California Power Agency. In essence, the city formed its own company, the Lodi Electric Company.

In the shadow of Proposition 13, which cut sources of funding, and proposed federal budget cuts, Lodi's electric company rakes in about \$2.4 million yearly to help finance city services. The revenues allow the city to hire more police officers and firefighters and maintain street lighting, sidewalks and city parks.

I'm sure the opportunity was available to us, but our civic leaders were not that farsighted," said Ronald Miller, administrative assistant to Stockton's public works director...."

Stockton Record, May 3, 1986.